

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Colfax-Greenwood Fire Department	County Wexford
Fiscal Year End March 31, 2007	Opinion Date May 30, 2007	Date Audit Report Submitted to State September 6, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

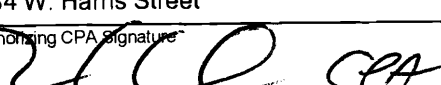
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Communication of Significant Deficiencies	
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789	
Street Address 134 W. Harris Street		City Cadillac	State MI
		Zip 49601	
Authorizing CPA Signature 		Printed Name Michael D. Cool, C.P.A.	License Number 1101023146

COLFAX-GREENWOOD FIRE DEPARTMENT

WEXFORD COUNTY, MANTON, MICHIGAN

MARCH 31, 2007

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

MARCH 31, 2007

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

May 30, 2007

INDEPENDENT AUDITORS' REPORT

To the Fire Board
Colfax-Greenwood Fire Department
Wexford County
Manton, Michigan

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the Colfax-Greenwood Fire Department, Wexford County, Manton, Michigan as of and for the year ended March 31, 2007 which collectively comprise the Fire Department's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the Fire Department's Management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Colfax-Greenwood Fire Department, Wexford County, Manton, Michigan, as of March 31, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 14 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Colfax-Greenwood Fire Department, Wexford County, Manton, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

COLFAX-GREENWOOD FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2007

Colfax-Greenwood Fire Department is a joint venture fire department supported by Colfax Township and Greenwood Township that has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Colfax-Greenwood Fire Department board's discussion and analysis of the financial results for the fiscal year ended March 31, 2007.

Financial Highlights

- ◆ The assets of the Fire Department exceeded its liabilities at the close of the fiscal year by \$155,119. Of this amount, \$54,844 may be used to meet the Fire Department's ongoing obligations to citizens and creditors.
- ◆ At the end of the current fiscal year, unreserved fund balance for the General Fund was \$52,154.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Fire Department's basic financial statements. The Fire Department's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements This report includes government-wide statements as required by GASB statement number 34. The *government-wide financial statements* are designed to provide readers with a broad overview of the Fire Department's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Fire Department's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Fire Department's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Fire Department is improving or deteriorating.

The *Statement of Activities* presents information showing how the Fire Department's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Fire Department's that are principally supported by intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type

COLFAX-GREENWOOD FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2007

activities). The governmental activities of the Fire Department include public safety. The fire department supports no business-type activities.

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources. All of the funds of the Fire Department are governmental funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Fire Department's financial position over time. The Net Assets of the Fire Department are \$155,119 at March 31, 2007, meaning the Fire Department's assets were greater than its liabilities by this amount.

COLFAX-GREENWOOD FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2007

Colfax-Greenwood Fire Department
Net Assets as of March 31, 2007

	<u>Governmental Activities</u>
Assets	
Current Assets	\$ 55,048
Non Current Assets	
Capital Assets	\$ 245,293
Less: Accumulated Depreciation	(145,018)
Total Non Current Assets	\$ 100,275
Total Assets	\$ 155,323
Liabilities	
Current Liabilities	\$ 204
Net Assets	
Invested in Capital Assets	\$ 100,275
Unrestricted	54,844
Total Net Assets	\$ 155,119
Total Liabilities and Net Assets	\$ 155,323

The most significant portions of the Fire Department's Net Assets are cash and investment in capital assets (e.g. land, buildings and equipment), less any related debt that is outstanding that the Fire Department used to acquire or construct the asset.

At the end of the current fiscal year, the Fire Department is able to report positive balance in net assets for the government as a whole.

The total net assets of the Fire Department decreased by \$3,401 or 2.15% in this fiscal year.

The following table illustrates and summarizes the results of the changes in the net assets for the Fire Department. The condensed information was derived from the government-wide Statement of Activities.

COLFAX-GREENWOOD FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2007

Colfax-Greenwood Fire Department
Change in Net Assets
for the Fiscal Year Ended March 31, 2007

	<u>Governmental Activities</u>
<u>Revenues</u>	
Capital Grants and Contributions	\$ 741
Operating Grants and Contributions	37,758
General Revenues	
Interest Earnings	495
Other	<u>1,356</u>
Total Revenues	\$ 40,350
<u>Expenses</u>	
Public Safety	<u>43,751</u>
Changes in Net Assets	\$ (3,401)
NET ASSETS - Beginning of Year	<u>158,520</u>
NET ASSETS - End of Year	<u><u>\$ 155,119</u></u>

Governmental Activities

During the fiscal year ended March 31, 2007, the Fire Department's net assets decreased by \$3,401 or 2.15% in the governmental funds. The majority of this decrease represents the degree to which increases in ongoing revenues have not outstripped similar increases in ongoing expenses. This is partially true due to the fact that GASB 34 now requires the Fire Department to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Colfax-Greenwood Fire Department comes from Colfax Township and Greenwood Township. Both townships levied fire protection millages this fiscal year. Colfax Township and Greenwood Township each levied 1.000 mills for fire protection. This revenue is shown as contributions from local units.

The Fire Department's governmental activities expenses are dominated by public safety expenses that total 100% of total expenses. The Fire Department spent \$43,751 in fiscal year 2007 on public safety expenses.

COLFAX-GREENWOOD FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2007

Financial Analysis of the Government's Funds

Governmental Activities The focus of Colfax-Greenwood Fire Department's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Fire Department's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund – At the end of the current fiscal year, Colfax-Greenwood Fire Department's general fund reported an ending fund balance of \$54,844. Approximately 95.10% of this total amount (\$52,154) constitutes unreserved fund balance. The remainder of the fund balance is reserved for prepaid expenses.

The fund balance of the Fire Department's general fund increased by \$10,779 during the current fiscal year.

Capital Assets and Debt Administration

Capital Assets. The Fire Department's investment in capital assets for governmental activities as of March 31, 2007 amounted to \$100,275 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually, plus all land. A summary of capital asset categories is illustrated below:

*Colfax-Greenwood Fire Department
Capital Assets as of March 31, 2007*

	Governmental Activities
Land and Land Improvements	\$ 150
Buildings	14,000
Machinery and Equipment	231,143
	<u>\$ 245,293</u>
Less Accumulated Depreciation	<u>(145,018)</u>
Net Capital Assets	<u><u>\$ 100,275</u></u>

Long-Term Debt. As of March 31, 2007, the Fire Department had no outstanding debt.

COLFAX-GREENWOOD FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2007

Economic Condition and Outlook

The Fire Department is expected to be supported by the Township's in the future.

The mills to be levied for the 2007 tax roll for fire protection are expected to be similar to 2006.

These factors were considered in preparing the Fire Department's budgets for the 2007-08 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Fire Department's finances and to demonstrate the Fire Department's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Colfax-Greenwood Fire Department at 4950 N. 31 Road, Manton, Michigan 49663.

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2007

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash	\$ 44,258
Due from Other Governments	8,100
Prepaid Expenses	<u>2,690</u>
Total Current Assets	<u>55,048</u>
<u>CAPITAL ASSETS</u>	
Land and Land Improvements	150
Buildings	14,000
Machinery and Equipment	<u>231,143</u>
	245,293
Less Accumulated Depreciation	<u>(145,018)</u>
Net Capital Assets	<u>100,275</u>
TOTAL ASSETS	<u>155,323</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	124
Payroll Withholdings	<u>80</u>
Total Current Liabilities	<u>204</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	100,275
Unrestricted	<u>54,844</u>
TOTAL NET ASSETS	<u>\$ 155,119</u>

The accompanying notes are an integral part of the financial statements.

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2007

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUES AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
					TOTALS
<u>PRIMARY GOVERNMENT</u>					
<u>GOVERNMENTAL ACTIVITIES</u>					
Public Safety	\$ 43,751	\$ 0	\$ 37,758	\$ 741	\$ (5,252)

GENERAL REVENUES

Interest Earnings	495
Other	1,356
Total General Revenues	1,851
Change in Net Assets	(3,401)
<u>NET ASSETS</u> - Beginning of Year	158,520
<u>NET ASSETS</u> - End of Year	\$ 155,119

The accompanying notes are an integral part of the financial statements.

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

GOVERNMENTAL FUND

BALANCE SHEET
MARCH 31, 2007

	<u>GENERAL FUND</u>
 <u>ASSETS</u>	
Cash	\$ 44,258
Due from Other Governments	8,100
Prepaid Expenditures	2,690
TOTAL ASSETS	<u>\$ 55,048</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 124
Payroll Withholdings	80
	<u>204</u>
 <u>FUND BALANCE</u>	
Reserved for:	
Prepaid Expenditures	2,690
Unreserved	
Undesignated	52,154
Total Fund Balance	<u>54,844</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 55,048</u>

The accompanying notes are an integral part of the financial statements.

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

GOVERNMENTAL FUND

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2007

Total Fund Balance for Governmental Fund	\$	54,844
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	150	
Buildings	14,000	
Equipment, Furniture and Fixtures	231,143	
Accumulated Depreciation	<u>(145,018)</u>	<u>100,275</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>155,119</u></u>
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The accompanying notes are an integral part of the financial statements.

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

GOVERNMENTAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2007

	<u>GENERAL FUND</u>
<u>REVENUES</u>	
State Grants	\$ 741
Contributions from Local Units	37,758
Interest and Rents	495
Other Revenues	<u>1,356</u>
 Total Revenues	 40,350
 <u>EXPENDITURES</u>	
Public Safety	<u>29,571</u>
 Excess (Deficiency) of Revenues Over Expenditures	 10,779
 <u>FUND BALANCE</u> - Beginning of Year	 <u>44,065</u>
 <u>FUND BALANCE</u> - End of Year	 <u><u>\$ 54,844</u></u>

The accompanying notes are an integral part of the financial statements.

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

GOVERNMENTAL FUND

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2007

Net change in Fund Balance - Total Governmental Fund	\$ 10,779
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	<u>(14,180)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (3,401)</u></u>

The accompanying notes are an integral part of the financial statements.

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Colfax-Greenwood Fire Department is a joint venture fire department supported by Colfax Township and Greenwood Township. Under the criteria established by accounting principles generally accepted in the United States of America, the Fire Department has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest earnings and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Fire Department as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Interest and other revenue associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Fire Department are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Colfax-Greenwood Fire Department reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

When both restricted and unrestricted resources are available for use, it is the Fire Department's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Fire Department's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

- I. The Fire Department Board has authorized the Fire Department Treasurer to invest funds as follows:
 - a. In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
 - b. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (II).
 - c. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
 - d. In repurchase agreements consisting of instruments listed in subdivision (a).
 - e. In bankers' acceptances of United States banks.
 - f. In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
 - g. In mutual funds registered under the Investment Company Act of 1940, title I, of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.

2. Receivables and Payables

The Fire Department is owed a total of \$8,100 from Colfax and Greenwood Townships relating to the annual contribution from each. All receivables are shown net of an allowance for uncollectibles. Fire Department revenues are recognized when they become both measurable and available for use to finance Fire Department operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year plus all land. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Land improvements	20
Vehicles	10
Equipment	5-10

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Currently, the Fire Department does not have any long-term obligations.

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

7. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on April 10, 2006.

The appropriated budget is prepared by fund and activity. The Fire Department Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Fire Department because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Fire Department's deposits at year-end were entirely covered by federal depository insurance. All deposits are in the Citizens Bank, Manton, Michigan. At year-end, the carrying amount of the Fire Department's deposits was \$44,258, and the bank balance was \$44,277.

The carrying amount of the Fire Department's deposits at year-end are shown below:

	<u>GENERAL FUND</u>
Citizens Bank	
Manton, Michigan	
Commercial Accounts	\$ 1,085
Money Market Accounts	<u>43,173</u>
	<u>\$ 44,258</u>

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

B. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 150	\$ 0	\$ 0	\$ 150
Capital assets, being depreciated				
Buildings	\$ 14,000	\$ 0	\$ 0	\$ 14,000
Machinery and equipment	231,143	0	0	231,143
Total capital assets, being depreciated	\$245,143	\$ 0	\$ 0	\$245,143
Less accumulated depreciation for:				
Buildings	\$ 7,420	\$ 280	\$ 0	\$ 7,700
Machinery and equipment	123,418	13,900	0	137,318
Total accumulated depreciation	\$130,838	\$ 14,180	\$ 0	\$145,018
Total capital assets, being depreciated, net	\$114,305	\$(14,180)	\$ 0	\$100,125
Governmental activities capital assets, net	\$114,455	\$(14,180)	\$ 0	\$100,275

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

 Public Safety \$ 14,180

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2007.

C. Long-Term Debt

There is no long-term debt outstanding for the Colfax-Greenwood Fire Department for the year ended March 31, 2007.

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

IV. OTHER INFORMATION

A. Risk Management

The Fire Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Fire Department participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Fire Department pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Fire Department has not been informed of any special assessments being required for the current year or the three prior years.

B. Contributions from Local Units

For the 2006 – 2007 fiscal year, the Colfax-Greenwood Fire Department received as aid \$23,536 from Colfax Township and \$14,222 from Greenwood Township.

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUND

YEAR ENDED MARCH 31, 2007

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
State Grants	\$ 0	\$ 0	\$ 741
Contributions from Local Units	36,467	36,467	37,758
Interest and Rents	0	0	495
Other Revenues	0	0	1,356
Total Revenues	36,467	36,467	40,350
<u>EXPENDITURES</u>			
Public Safety			
Fire Department	43,422	43,422	29,571
Excess (Deficiency) of Revenues Over Expenditures	(6,955)	(6,955)	10,779
<u>FUND BALANCE</u> - Beginning of Year	6,955	6,955	44,065
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 54,844

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2007

ASSETS

Cash	
Commercial Account	\$ 1,085
Money Market Account	43,173
Due from Other Governments	8,100
Prepaid Expenditures	<u>2,690</u>
 TOTAL ASSETS	 \$ <u>55,048</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 124
Payroll Withholdings	<u>80</u>
 Total Liabilities	 <u>204</u>

FUND BALANCE

Reserved for Prepaid Expenditures	2,690
Unreserved	<u>52,154</u>
 Total Fund Balance	 <u>54,844</u>
 Total Liabilities and Fund Balance	 \$ <u>55,048</u>

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
State Grants		
Department of Natural Resources Grant	\$ 0	\$ 741
Contributions from Local Units		
Colfax Township	21,782	23,536
Greenwood Township	14,685	14,222
Interest and Rents		
Interest Earnings	0	495
Other Revenues		
Miscellaneous	0	1,356
Total Revenues	<u>36,467</u>	<u>40,350</u>
<u>EXPENDITURES</u>		
Public Safety		
Personal Services		
Salary - Fire Board Treasurer	900	900
Salary - Fire Chief	1,200	1,200
Wages - Firemen	3,000	3,000
Employee Benefits		
Payroll Taxes - Fire Chief		
and Treasurer	350	161
Supplies		
Office Supplies	200	112
Operating Supplies		
Gas	2,500	853
Uniforms	2,400	49
Other Services and Charges		
Snow Plowing	800	400
Communication	400	293
Public Utilities	1,000	578
Heat	2,500	1,624
Repair and Maintenance	3,700	3,878
Training	500	576
Miscellaneous	1,000	692

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>
Other Functions		
Insurance	16,500	13,490
Capital Outlay		
Equipment	6,472	1,765
Total Expenditures	43,422	29,571
Excess of Revenues Over (Under) Expenditures	(6,955)	10,779
<u>FUND BALANCE</u> - Beginning of Year	6,955	44,065
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 54,844

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

May 30, 2007

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Fire Board
Colfax-Greenwood Fire Department
Wexford County
Manton, Michigan

During the course of our audit of the basic financial statements of Colfax-Greenwood Fire Department for the year ended March 31, 2007, we noted the following:

Budgeting Procedures

Public Act 621 states that the budget document that the Fire Department adopt include the following financial information:

The actual results from the prior year

An estimate of the current year results

The proposed budget for the upcoming year

Amounts for contingencies, if appropriate

The amount of fund balance accumulated through the end of the current year, and the amount expected at the end of the upcoming year, after applying the budgeted revenues and expenditures.

Currently, the Fire Department's budget does not meet all of the above requirements.

Federal Employers Identification Number (FEIN)

The Fire Department should control and limit the use of its FEIN to accounts and uses authorized by state law and activities included in its annual audit. Confirmation with the Fire Department's bank indicated the Fire Auxiliary may have a bank account using the Fire Department's FEIN. We recommend the Fire Auxiliary obtain their own FEIN and discontinue use of the Fire Department's FEIN.

We would like to thank the board for its continued confidence in our firm and to thank the Fire Department officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

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May 30, 2007

To the Fire Department Board
Colfax-Greenwood Fire Department
Manton, Michigan

In planning and performing our audit of the financial statements of the governmental activities, and each major fund, of Colfax-Greenwood Fire Department, as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Colfax-Greenwood Fire Department's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did identify deficiencies in internal control that we consider to be material weaknesses, as defined above. We also identified the following deficiencies in internal control that we consider to be significant deficiencies.

1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Fire Department and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

We believe the significant deficiency described in (1) above (Lack of Segregation of Duties) is a material weakness.

This report is intended solely for the information and use of the Fire Department and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.